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## GENERAL FUND REVENUE PERFORMANCE

The following table details actual 2005-2006 General Fund revenue collections as compared with the modified budget estimates:

**TABLE A**  
**2005-2006 GENERAL FUND REVENUE SUMMARY**  
**COMPARISON OF BUDGET TO ACTUAL**  
**(\$000's)**

Category	Budget	Actual	Variance
Property Tax	\$ 163,496	\$ 166,560	\$ 3,064
Sales Tax	138,743	140,327	1,584
Transient Occupancy Tax	7,100	7,688	588
Franchise Fees	35,302	36,760	1,458
Utility Tax	75,496	75,489	(7)
Licenses and Permits	74,209	75,857	1,648
Fines, Forfeitures, and Penalties	13,275	14,497	1,222
Use of Money and Property	10,017	11,553	1,536
Revenue from Local Agencies	46,004	42,620	(3,384)
Revenue from the State of California	13,155	11,571	(1,584)
Revenue from Federal Government	17,189	6,263	(10,926)
Departmental Charges	28,098	28,061	(37)
Other Revenue	49,822	43,642	(6,180)
Subtotal	671,906	660,888	(11,018)
Overhead Reimbursements	31,919	30,455	(1,464)
Transfers	50,825	53,358	2,533
Reimbursements for Services	18,140	18,067	(73)
Subtotal	100,884	101,880	996
<b>TOTALS*</b>	<b>\$ 772,790</b>	<b>\$ 762,768</b>	<b>\$ (10,022) **</b>

\* Excludes Beginning Fund Balance

\*\* After adjusting for grant and reimbursement related revenue not received in 2005-2006 but carried over to 2006-2007, the revenue variance actually resulted in a surplus of \$3.6 million. For these grant revenues, corresponding General Fund expenditure savings were also realized in 2005-2006, with a net zero impact on the General Fund Ending Fund Balance.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

The General Fund revenue performance for 2005-2006 is discussed in detail in the following section. This discussion includes a comparison of the 2005-2006 actual revenue receipts for each of the major revenue categories to the modified budget and descriptions of significant variances. In addition, comparisons with the 2004-2005 collection levels are typically included to indicate collection trends and to provide historical perspective.

As shown in Table A, total revenue received in the General Fund in 2005-2006 was \$762.8 million. This total represents an increase of \$80.8 million (up 11.8%) from the actual 2004-2005 collections (\$682.0 million), but was down slightly from the 2005-2006 Modified Budget level (\$10.0 million or 1.3%). The size of the increase from the prior year is somewhat overstated as it reflects timing differences in one-time transfers in the prior year (including a whole year of the Emergency Communication System Support Fee) and proceeds from a significant loan related to the FMC land purchase (\$25.1 million). Also reflected here were real increases in the following ongoing revenue categories: Property Tax, Sales Tax, Transient Occupancy Tax, Franchise Fees, Utility Tax, Licenses and Permits, and Other Revenue. Growth in those categories was partially offset by drops in the following revenue categories: Revenue from Local Agencies, Revenue from the State of California, and Departmental Charges.

The variances from the modified budget levels, as well as changes from prior year levels are better understood through a discussion of the status of the individual General Fund revenue categories, as provided in the following section.

**Property Tax**

Property Tax receipts for the 2005-2006 fiscal year totaled \$166.6 million. This collection level was off only slightly (1.9% above) the budgeted estimate of \$163.5 million, and represented growth of 15.6% above prior year actuals of \$144.0 million. The slightly larger than expected growth over the prior year mainly reflected the impact of a side effect of the conversion of VLF to Property Tax inherent in the "VLF Swap" as described below.

Secured Property Tax receipts of \$144.9 million were 15.6% (\$19.6 million) above the 2004-2005 level and less than 1% (\$635,000) below the 2005-2006 Modified Budget estimate. Although Secured Property Tax receipts experienced growth in 2005-2006, the percentage change in this category was heavily influenced by the VLF Swap and its accompanying 2004-2005 "true-up to actual VLF receipts" that resulted in increased payments made up of two elements: (1) according to the State, the \$49.4 million VLF Swap funding paid to the City in 2004-2005 was \$3.1 million less than the \$52.5 million actual amount earned and due the City; and (2) using this new base of \$52.5 million to estimate the VLF Swap payments due for 2005-2006, the State increased the City allocation by approximately \$4 million.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Property Tax (Cont'd.)**

Actual Secured Property Tax receipts did experience strong growth in 2005-2006 as a result of continued high valuations due to property turnovers and the addition of new properties, with year over year growth of approximately 10%. It should be noted that the property tax levy as of December 31, 2004, reflecting property valuations that occurred before the recent slow down in housing, was the basis for the Secured Property Tax collections in 2005-2006.

SB 813 Property Tax receipts of \$10.1 million were 48.4% above (up \$3.3 million) the actual 2004-2005 level, and above (\$3.6 million) the 2005-2006 modified budget estimate of \$6.5 million. The SB 813 Property Tax component represents the retroactive collection of taxation on reassessed valuation from the period of resale to the time that the Assessor formally revalues the property. The lag time for recording SB 813 transactions is typically several months.

According to the County Assessor's Office, the large increase was also primarily related to the unintended effects of the VLF Swap mentioned above. SB813 Property Tax receipts are pooled receipts that are allocated to each jurisdiction based on their share of secured property taxes. The increase in the City's Secured Property Taxes as a result of the VLF Swap also increased the City's share of SB813 receipts. The increase received in 2004-2005, and again in 2005-2006, reverses a trend of decreasing receipts experienced since 2000-2001. As the VLF Swap was advertised and apparently intended to be a relatively neutral transaction, we remain somewhat concerned about the unanticipated size of the positive variance. If, for example, the additional property tax revenue which we experienced was later determined to result to any significant extent from missed projections at the State level regarding the impact of the VLF Swap, there could be some risk that the State would attempt to recover revenue collections deemed to be above and beyond the intended revenue neutral design, although there is no indication of any move toward such an adjustment.

The Unsecured Property Tax is assessed on major business equipment items and is subject to annual depreciation adjustments. Current and Prior Unsecured Property Tax receipts of \$10.5 million decreased by 3.3% (\$359,000) compared to the 2004-2005 actual level. This performance was, however, slightly higher (\$155,000) than the budgeted estimate. The drop in 2005-2006 followed a larger 10.5% decline experienced in 2004-2005, which followed a similar decline of 13.9% in 2003-2004, reflecting the adverse economic conditions. The drop-off experienced in the last three years is significantly different than the growth experienced in prior years: 2002-2003 (2.2%), 2001-2002 (26.6%), 2000-2001 (13.0%), 1998-1999 (8.3%), 1997-1998 (15.0%), and 1996-1997 (12.0%).

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## **GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

### **Property Tax (Cont'd.)**

The 2006-2007 budgeted estimate allows for a slightly smaller drop of 2.0% from the 2005-2006 estimated collection level.

The Homeowner's Exemption Subvention represents the recovery of tax loss resulting from the per-household exemption granted by current State law. Receipts in this tax category of \$1.1 million were consistent with both the budgeted estimate and the 2004-2005 actual collection level.

After adjusting for the impact of the VLF swap, the 2006-2007 Adopted Budget revenue estimates for Property Tax requires an approximately 10.4% overall increase in the growth levels over the 2005-2006 year-end actual receipts. This estimated growth rate reflects expected growth in Secured Property Tax, offset by declines in Unsecured Property Tax receipts.

### **Sales Tax**

Sales Tax collections for 2005-2006 of \$140.3 million were 5.4% above (up \$7.2 million) the 2004-2005 year-end level of \$133.1 million and 1.1% above the 2005-2006 budget estimate of \$138.7 million.

General Sales Tax collections exhibited very uneven growth in 2005-2006. Most of the increase came in the first quarter (14.5%), which included the December holiday spending period. The second quarter Sales Tax collections increased by only 2.3%. Then in the third quarter, collections increased by 9.0%. The third quarter percentage increase, however, was higher only because it was compared to a very weak prior year quarter. Because a three-month lag exists between the period of sales activity and when the City receives its quarterly Sales Tax allocation, the fourth quarter (April through June) was accrued based on projections. A 1.0% increase was built into this year-end, fourth quarter accrual based on the uneven performance of the prior quarters and economic reports indicating a slowdown in consumer spending. The increase in energy costs, the recent slowdown in the housing market, and increasing interest rates continue to cause us to conclude that we should count on only a modest increase, at best, in this revenue category.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Sales Tax (Cont'd.)**

A 3.0% overall increase in Sales Tax revenue is included in the 2006-2007 Adopted Budget, and performance for this revenue source will need to be closely monitored and the status reported to the City Council through the Monthly Financial Reports.

Proposition 172 Half-Cent Sales Tax receipts of \$4.3 million were essentially flat (up 0.1% or \$5,000) when compared to the 2004-2005 collection level and were consistent with the 2005-2006 budget estimate.

**Transient Occupancy Tax**

Collections for the General Fund's portion (4.0%) of the City's Transient Occupancy Tax (TOT) of \$7.7 million showed encouraging growth, with an increase of 20.0% (up \$1.3 million) over the prior year level of \$6.4 million and a 8.2% increase (up \$588,000) from the budget estimate of \$7.1 million.

Current local economic conditions indicate that TOT collections should continue to improve, or at least remain in positive territory, in the near future. Although no significant increase in the number of rooms is expected, the average room rate increased during last year from \$114 to \$120, and the occupancy rate increased to 57.7% from 48.9% in the prior year.

**Franchise Fees**

Franchise fee collections of \$36.8 million were above (4.1% or \$1.5 million) the 2005-2006 modified budget level of \$35.3 million. The variance between the actual receipts and budget was primarily due to higher than estimated collections in Gas and Commercial Solid Waste Franchise Fees.

Electric and Gas Franchise Fees for 2005-2006 were based on activity that occurred during calendar year 2005. Electric Franchise Fees of \$13.3 million were consistent with the 2005-2006 modified budget level of \$13.3 million, but slightly below (down \$119,000) the 2004-2005 level of \$13.4 million. Gas Franchise Fees of \$5.3 million were 11.1% above (\$534,000) the 2005-2006 modified budget level of \$4.8 million and 55.6% above (\$1.9 million) the 2004-2005 collection level of \$3.4 million. As reported in prior Monthly Financial Reports, the increase in Gas Franchise Fee receipts reflected, in part, the effects of Hurricanes Katrina and Rita that caused a sharp rise in natural gas prices during the past winter.

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### **GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

#### **Franchise Fees (Cont'd.)**

Cable Television Franchise Fee collections of \$5.0 million met budget expectations and were 8.5% above (\$394,000) the 2004-2005 collection level of \$4.6 million. This performance reflects growth in the number of cable television subscribers. City-Generated Tow Franchise Fee receipts of \$1.2 million ended the year essentially flat (down \$8,000) when compared to the 2004-2005 level of \$1.2 million and slightly down (\$44,000) when compared to the 2005-2006 modified budget. Water Franchise Fee collections of \$218,000 were 3.4% above (\$7,000) the 2004-2005 level as well as 0.8% above (\$16,000) the 2005-2006 modified budget level primarily due to increases in water rates during the year combined with slightly lower consumption. Nitrogen Gas Pipeline Franchise Fee receipts of \$58,000 were 3.5% below budgeted expectations of \$60,000.

Commercial Solid Waste Franchise Fee (CSW) collections of \$11.6 million were above both the 2005-2006 modified budget level of \$10.7 million (up \$934,000) and 2004-2005 actual collections of \$10.7 million (up \$863,000). The increase in collections from the prior year was primarily driven by the combination of the improved economy and increased business activity, which generated higher revenue collections from haulers.

#### **Utility Tax**

The City assesses utility user taxes on four utilities: Electricity, Gas, Water, and Telephone. Overall, Utility Tax receipts of \$75.5 million were right on the 2005-2006 modified budget level of \$75.5 million and 3.3% above (\$2.4 million) the 2004-2005 actual level.

Electricity Utility Tax receipts of \$34.0 million were 4.4% above (\$1.4 million) the modified budget estimate of \$32.6 million and 1.2% above (up \$405,000) the 2004-2005 level. The increase in the Electricity Utility Tax is the result of a slight increase in rates in 2005-2006.

Gas Utility Tax collections of \$11.0 million, on the other hand, were 7.8% (\$927,000) below the modified budget level of \$11.9 million but well (20.2%) above (\$1.8 million) the prior year collection level of \$9.2 million. This performance primarily reflects the impacts of market factors that caused natural gas costs to increase significantly during the year. Although an increase of approximately 24% had been expected when a \$3.9 million upward adjustment to the 2005-2006 Adopted Budget was requested as part of the Mid-Year Report, the actual increase was slightly lower.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Utility Tax (Cont'd.)**

Water Utility Tax receipts of \$7.2 million were slightly (1.8%) below the modified budget level of \$7.4 million and 5.1% above (\$349,000) the prior year collection level of \$6.9 million. This performance was primarily driven by increases in water rates coupled with a slight overall decrease in consumption.

Telephone Utility Tax collections of \$23.3 million were also slightly (1.6%) below the modified budget level of \$23.6 million and 1.2% above (\$266,000) the prior year collection level of \$23.0 million.

**Licenses and Permits**

Revenues in this category include the Cardroom Tax, Business Tax, a Disposal Facility Tax, Fire Permits, Building Permits, and various other health and public safety permits and licenses. Overall, Licenses and Permits collections of \$75.9 million were 2.2% above (up \$1.6 million) the modified budget level of \$74.2 million and 3.7% above (\$2.7 million) the 2004-2005 collection level of \$73.2 million.

Cardroom Business Tax receipts of \$11.2 million ended the year well above (\$2.7 million or 31.7%) the modified budget estimate of \$8.5 million and 14.0% above (\$1.4 million) the prior year actual level of \$9.8 million. This performance reflected an unanticipated level of increased activity. Business Tax revenues of \$12.2 million ended the year 13.2% below (down \$1.8 million) the modified budget estimate of \$14.0 million and 2% below (\$252,000) the 2004-2005 collection level of \$12.4 million. The failure to achieve budget levels in Business Tax revenues was largely due to a delay in implementing a plan to conduct an amnesty program during the 2005-2006 fiscal year. The Program to grant amnesty for the payment of delinquent penalties and interest otherwise due, serving as a mechanism to identify and collect on delinquent business taxes, is now budgeted to be implemented in 2006-2007.

Disposal Facility Tax collections of \$13.9 million ended the year 2.9% below (down \$413,000) the modified budget estimate of \$14.3 million, and 5.6% below (\$826,000) prior year actual collections of \$14.7 million. This performance primarily reflects the impact of an agreement resolving the dispute between the City and the BFI and Waste Management corporations regarding the removal of the Alternate Daily Cover exemption approved by The City Council in 2002-2003. As a result of the agreement, the City has agreed to reinstate the Alternate Daily Cover exemption and reimburse Waste Management in 2005-2006 for the disputed amount they paid the City in 2003-2004, including interest. This impact was not anticipated in the revenue estimate for this category that was included in the Adopted Budget.

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### **GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

#### **Licenses and Permits (Cont'd.)**

Fire Fee receipts of \$8.5 million at year-end were 29.9% above (\$2.0 million) the 2005-2006 modified budget level of \$6.5 million, and 41.0% above (\$2.5 million) last year's level of \$6.0 million. A one-time charge for bad debt allowance (\$466,000), however, is included in the 2004-2005 total. In addition, the \$8.5 million receipts received in 2005-2006 includes an amount (\$598,000) that should have been deferred to 2006-2007. After normalizing for these factors, Fire Permit collections totaled \$7.9 million at year-end, or 20.8% above the modified estimate. These estimates were built assuming a continuation of activity levels of last year, which included a restructure of existing development-related service fees to hourly fees; and the establishment of new fees for single-family plan review, hazardous materials plan check (express and intermediate) and Temporary Certificate of Occupancy Processing activities. Revenues from Annual Renewable Permits (Non-Development), Non-Renewable Permits, and Plan Check (Development) activities ended the year above anticipated levels due to higher than anticipated development activities. Inspection and plan check activities were higher than anticipated due to several high-rise and multi-family projects and an increase in commercial and industrial construction activity. As part of this document's proposed actions, a \$1.2 million upward adjustment to the Fire Fee Reserve is proposed to reflect the level of activity described above.

Building Permit receipts of \$24.0 million ended the year 4.0% below (\$1.0 million) the modified budget estimate of \$25.0 million and 2.1% below (\$505,000) the prior year level of \$24.5 million. The 2005-2006 estimate was built assuming a continuation of the activity levels of 2004-2005, with no fee increases. In recognition of higher activity levels in 2005-2006, however, building revenue budget estimates were increased twice during 2005-2006. In the Mid-Year Budget Review an increase of \$324,000 was approved to fund new positions to support increased activity. In June 2006, revenue estimates were increased by \$1.5 million to reflect the anticipated year-end performance. In June, revenues unexpectedly slowed down and as a result, revenue receipts fell short of the modified budget estimates by approximately \$1.0 million. Total construction valuation during 2005-2006 was \$774 million, an approximate 12% decline from the prior year. For the year, residential permits were below forecasted levels with only 2,515 units receiving permits when compared to 3,293 units in 2004-2005 and estimates of 3,000 units. Multi-family activity declined to its lowest level in a decade. Because of an extraordinarily large number of units (3,000) in projects that have already commenced construction but are still pending issuance of building permits, a short term turnaround is anticipated for 2006-2007. Commercial and industrial activity was close to 2004-2005 levels and ended the year below forecasted levels. For 2006-2007, commercial construction is expected to improve primarily due to the anticipated fall groundbreaking for the shopping center on the former GE site at Monterey Road and Curtner Avenue. As part of this document's proposed actions, a downward adjustment of \$1.0 million is proposed to the existing reserve of \$10.3 million established for development-related activities.

The revenue collection of \$6.2 million for various other health and public safety permits and licenses ended the year 4.3% above (\$254,000) the modified budget level of \$5.9 million, and 7.7% above the prior year collections (\$5.7 million).



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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Fines, Forfeitures and Penalties**

The primary sources of revenue in this category are proceeds from Parking, Municipal Code and Vehicle Codes Fines, and Cardroom and Business Tax Penalties. Collections of \$14.5 million in this category were 9.2% above (\$1.2 million) the modified budget estimate of \$13.3 million and 8.4% above (up \$1.1 million) prior year collections. The positive variance was primarily due to higher collections of Administrative Citations and related fines and penalties as a result of collection activity in the Finance Department.

**Revenue from Use of Money and Property**

The largest source of revenue in the Use of Money and Property category is interest income earned in the General Fund as well as in several capital and special funds. Collections of \$11.6 million ended the year 15.3% above (\$1.5 million) the modified budget level of \$10.0 million and 45.4% above (up \$3.6 million) the prior year collection level of \$7.9 million. The large increase from the prior year level reflects larger average cash balances during the year combined with higher average interest rates for the General Fund and several special funds.

**Revenue from Local Agencies**

This revenue category contains revenue received from a variety of other local government agencies. The seven primary sources of revenue are the reimbursement for City staff and overhead costs from the Redevelopment Agency; the reimbursement from the Redevelopment Agency for payment of the Convention Center debt service and eligible capital expenditures (which enables the City to fund the San José BEST Program); Enterprise Fund In-Lieu Charges; payments from the Central Fire District for fire services provided to County residents by the San José Fire Department; and payment for the County Paramedic Program.

Revenue collections of \$42.6 million in the Local Agencies category ended the year 7.4% below (down \$3.4 million) the modified budget and 5.0% below (\$2.2 million) the 2004-2005 collection level. The lower collections over the prior year were primarily driven by receipt of grant money and other agency money (principally contributions from other agencies for the Animal Services building) in the prior year that were not received in the current year, and lower receipts for Enterprise Fund In-Lieu payments.

Included in this report are recommendations to rebudget the revenue and corresponding expenditure budget for various grants to 2006-2007 (net \$1.8 million), and recognize reimbursement revenue from the Redevelopment Agency and other local agencies (\$499,000), as described in section III.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Revenue from the State of California**

Revenue collections of \$11.6 million in this category ended the year 12.0% below (\$1.6 million) the modified budget estimate of \$13.2 million and 14.1% below (down \$1.9 million) the prior year actual level. The variance from the modified budget estimate was due to fluctuations in grants calculated on a reimbursement basis. The majority of these funds were rebudgeted in the 2006-2007 Adopted Budget and it is anticipated that both the expenditures and the revenues related to these grants will be received in 2006-2007. The lower collections over the prior year were primarily driven by lower receipts for Airplane and Motor Vehicle receipts (down \$1.1 million) and receipt of grant money in the prior year that was not received in the current year.

Included in this report are recommendations to rebudget the revenue and corresponding expenditure budget for various grants to 2006-2007 and to adjust previous rebudgets based on actual year-end performance (net reduction of 130,000), as described in section III.

**Revenue from the Federal Government**

The proceeds in this category are entirely composed of various grant programs. In 2005-2006, Revenue from the Federal Government of \$6.3 million was 63.6% below (down \$10.9 million) the modified budget estimate of \$17.2 million but 141.6% above (up \$3.7 million) the 2004-2005 collection level. The variance from budget was primarily related to two General Fund Capital grants, the COPS Interoperable Communications grant (\$4.2 million) and the Urban Area Security Initiative grant (\$4.8 million) that are now expected to be received in 2006-2007 and were rebudgeted as part of the 2006-2007 Adopted Budget, as well as fluctuations in other grants calculated on a reimbursement basis. Included in this report is a recommendation to adjust the revenue and corresponding expenditure budget for various grants that were previously rebudgeted to 2005-2006 (net reduction of \$2.8 million) based on actual performance, as described in section III.

**Departmental Charges**

This category includes the fees and charges levied to recover costs of services provided by various City departments. Collections of \$28.1 million for Departmental Charges were only slightly (0.1%) below (down \$37,000) the modified budget estimate and 0.8% below (\$223,000) the 2004-2005 collection level.

A brief description of the performance in each of the departmental fee categories is provided below.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Departmental Charges (Cont'd.)**

- **Miscellaneous Departmental Fees and Charges** – Collections of \$3.5 million ended the year slightly below (4.1%) the modified budget estimate but 8.3% above (\$265,000) the prior year actual level of \$3.2 million. The variance from the prior year level was primarily driven by higher Solid Waste Enforcement Fee collections and City Hall rental, slightly offset by lower settlements and reimbursements.
- **Police Departmental Fees** – Collections of \$1.5 million at year-end were 20.1% (\$249,000) higher than the modified budget estimate of \$1.2 million and 6.0% (\$85,000) higher than the \$1.4 million collected in 2004-2005. The higher than budgeted revenue for 2005-2006 was due to higher revenues received for Vehicle Impound Release, Photostats, and for State reimbursements for Police Officer Standards and Training (POST), partially offset by lower collections for Driving Under the Influence, and miscellaneous Police fees, including Tow Service Dispatch.
- **Public Works Departmental Fees** – Collections for Public Works Departmental charges of \$7.4 million ended the year 3.0% (\$217,000) above the modified budget estimate of \$7.1 million and 10.2% below (\$836,000) the \$8.2 million collected in 2004-2005. A small part (\$197,000) of these Departmental Fees is actually non-fee related reimbursements for activity performed in the Public Works Department for Special Assessment Districts. Of the fee related activities, revenues in the non-residential engineering, erosion and sediment control, private streets engineering, and traffic reports fee categories performed at higher than estimated levels. However, this performance was offset by lower than anticipated collections in the underground service alert, residential engineering, utility excavation, and electrical design categories. Although Development Fee Program revenue collections were slightly below anticipated levels, expenditures also were below the budgeted level, producing savings of \$132,000. When actual expenditures are compared to revenues, the program ended the year with a surplus of \$99,000, which is recommended to be added to the Development Fee Program Earmarked Reserve as part of this document.
- **Transportation Departmental Fees** – Collections of \$1.2 million ended the year 30.1% above (\$270,000) the modified budget estimate of \$898,000 and 17.0% above (\$170,000) the \$997,000 collected in 2004-2005. The strong performance in this category was primarily driven by higher than anticipated receipts for a number of development-related fees including Street Tree Planting (up \$123,000), General Plan Amendment Model Analysis (up \$64,000), Residential Signal Design (up \$42,000), and Non-Residential Signal Design (up \$13,000). Higher than anticipated collections for Residential Permit Parking ended the year \$25,000 above estimates and Miscellaneous Traffic Repairs also ended the year \$21,000 above estimates. The higher than anticipated revenue collection was slightly offset by collections for the Geometric Design Fee which ended the year \$26,000 below estimates.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Departmental Charges (Cont'd.)**

- ***Library Departmental Fees*** – Collections of \$1.3 million ended the year 39.4% above (\$374,000) the modified budget estimate of \$950,000 and 7.8% above (\$96,000) the \$1.2 million collected in 2004-2005. The positive variance in fees from the budgeted amount reflects higher than anticipated Library fines.
- ***Planning Departmental Fees*** – Collections of \$5.5 million ended the year below (5.8%) the budget estimate of \$5.8 million and 1.6% below (\$89,000) the prior year level. In line with the other development-related fee areas, the 2005-2006 estimate was built assuming a continuation of the activity levels of 2004-2005 and no fee adjustments. Specific fee categories that performed at or better than expected were General Plan Update, Public Information Services, Miscellaneous Permits, Single Family Deign Review, Residential: Environmental Clearances, Planned Development Permits, Planned Development Prezonings/Rezoning, and Conditional Use Permits; and Non-Residential: Tentative Maps, Development Permit Adjustments, General Plan Amendments, Conventional Prezonings/Rezoning, and Site Development Permits. This performance was offset by lower than anticipated revenue collections in Annexations, Public Noticing, Preliminary Review, Residential: Tentative Maps, General Plan Amendments, Conventional Prezonings/Rezoning, and Development Permit Adjustments, Site Development Permits, and Non-Residential: Planned Development Permits, Planned Development Prezonings/Rezoning, Environmental Clearances, and Conditional Use Permits. Based on year-end results, included in this document is a downward adjustment of \$362,638 to the existing Planning Fee Reserve of \$526,227.
- ***Parks, Recreation, and Neighborhood Services Departmental Fees*** – Collections of \$7.7 million ended the year below (down \$657,000) the modified budget estimate of \$8.4 million but 1.7% above (\$132,000) the \$7.6 million collected in 2004-2005. The negative variance from modified budget was primarily driven by lower receipts from Family Camp and Adult Sports registration and miscellaneous other revenue offset by higher than expected revenues for Animal Care Services (excluding licensing revenues) and facility rentals at various community centers.

**Other Revenue**

Other Revenue receipts of \$43.6 million were 12.4% below (\$6.2 million) the modified budget level of \$49.8 million, but 134.7% above (\$24.8 million) the 2004-2005 collection level. The variance to budget was primarily related to reimbursement revenue for the Evergreen Strategy (down \$6.6 million) that was only received to the extent that expenditures were incurred, with the remaining revenue and expenditures were rebudgeted to 2006-2007. These decreases were partially offset by unbudgeted receipts from the pay-off of two Senior Staff Home Loans (\$500,000).

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Other Revenue (Cont'd.)**

The Home Loan repayments are recommended to be rebudgeted to 2006-2007 as described in Section III.

The variance from the prior year consists mostly of 2005-2006 one-time proceeds of a loan (\$25.1 million) related to the FMC land purchase and higher reimbursement revenue received for the Coyote Valley Specific Plan (\$3.9 million) for work performed in 2005-2006. These higher receipts were offset by the expected loss of reimbursement for the State Booking Fee as a result of State budget reductions (down \$2.5 million).

Included in this report is a recommendation to increase the revenue and corresponding expenditure budget for various grants to rebudget these funds to 2006-2007 (net \$671,000), as described in section III.

**Overhead Reimbursements**

Payments from other funds for overhead costs of \$30.5 million ended the year 4.6% below (\$1.5 million) the modified budget estimate of \$31.9 million. This variance represents the net result of a series of over- and under-budgeted performances from over 45 special and capital funds that reimburse the General Fund. These differences occurred where fund activities were over or under the level assumed in the modified budget estimates. The negative variance was primarily driven by lower than anticipated collections from various capital funds (e.g., Sewer Service and Use Charge Fund, Airport Revenue Bond Fund, Treatment Plant Capital Fund, and Parks and Recreation Bond Projects Fund) based on actual activity levels.

**Transfers**

Revenue from the Transfers category of \$53.4 million ended the year 5.0% above (\$2.5 million) the modified budget level of \$50.8 million. The positive variance primarily reflects higher than anticipated transfers from the Construction and Conveyance Tax Fund based on actual revenue collections.

Included in this report is a recommendation to increase the revenue and corresponding expenditure budget for a transfer to the General Fund for prior year expenditures related to City Hall (\$308,000), as described in section III.

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**GENERAL FUND REVENUE PERFORMANCE (CONT'D.)**

**Reimbursements for Services**

Collections of \$18.1 million in the Reimbursements for Services category were 0.4% below (down \$73,000) the modified budget level. The slight negative variance was due to lower than anticipated reimbursements for Maintenance Assessment Districts and Deferred Compensation costs.

**Summary**

Total revenue received by the General Fund for 2005-2006 (\$762.8 million) was lower than the modified budget level by \$10.0 million or 1.3%. After adjusting for grant and reimbursement related revenues not received in 2005-2006, but carried over to 2006-2007, however, it can be seen that revenues actually ended the year within 0.5% and \$3.6 million above the budgeted estimate used for fund balance purposes. This small variance is still a very notable result given the diverse and unanticipated factors that affected our revenue streams last year, and the overall size of the General Fund. The outcome does, however, represent the net impact of a number of positive and negative variances already described in the previous sections. The Administration will continue to monitor collections actively for 2006-2007 through the Monthly Financial Report process, and return with recommendations for any revisions that seem appropriate during the Mid-Year Budget Review.